

**COMMITTEE ON PUBLIC WORKS AND PURCHASING**  
(Standing Committee of Berkeley County Council)

**Chairman:** Mr. Robert O. Call, Jr., Council District No. 3

A **meeting** of the **COMMITTEE ON PUBLIC WORKS AND PURCHASING**, Standing Committee of Berkeley County Council, was held on **Monday, January 11, 2010**, in the Assembly Room of the Berkeley County Administration Building, 1003 Highway 52, Moncks Corner, South Carolina, at 7:24 p.m.

**PRESENT:** Acting Chairman Jack H. Schurlknight, Council District No. 6; Committee Member Phillip Farley, Council District No. 1; Committee Member Timothy J. Callanan, Council District No. 2; Chairman Robert O. Call, Jr., Council District No. 3; Committee Member Cathy S. Davis, Council District No. 4; Committee Member Dennis L. Fish, Council District No. 5; Committee Member Caldwell Pinckney, Jr., Council District No. 7; Committee Member Steve C. Davis, Council District No. 8; County Supervisor Daniel W. Davis, ex officio; Ms. Nicole Scot Ewing, County Attorney; and Ms. Barbara B. Austin, Clerk of County Council.

In accordance with the Freedom of Information Act, the electronic and print media were duly notified.

Acting Chairman Schurlknight called the meeting to order and asked for approval of minutes from the meeting of the Committee on Public Works and Purchasing held December 14, 2009.

It was moved by Committee Member Pinckney and seconded by Committee Member Callanan to **approve** the minutes as presented. The motion passed by unanimous voice vote of the Committee.

**A. Mr. John F. Hamer, CPPB, Director of Procurement**, Re: Seek Council's input on what to or what not to include in the Excavator Bid Package.

Mr. Frank Carson, County Engineer, stated that clarification and direction from Council was needed regarding the Total Cost Bid. Concerns were expressed at the Committee meeting and the bid was rejected. The Guaranteed Buy Back method to establish the residual value was used. Other methods would be time consuming and be somewhat subjective. The concept in the Total Value Bid was to not to use the low bid method of purchasing equipment based on the initial purchase price only. The initial cost is a key element, but operating and maintenance costs, repair costs and residual value would also be considered. The previous bid package incorporated all of the elements and utilized the contractual methods. Each bidder was required to secure the elements with a bond to protect the interest of the County.

Committee Member S. Davis made the motion to accept the bid that was rejected previously.

Ms. Ewing stated because the motion was voted on and approved to deny, the only way to revisit the bid package would be for a committee member that voted for the denial, to bring a motion to reconsider at the full Council meeting.

Committee Member S. Davis requested to reserve that motion until a full Council meeting. He stated that at the next full Council meeting, he would move for reconsideration of the initial bid.

Ms. Ewing stated the motion to reconsider would have to have a second and voted and approved and then the actual bid could be reconsidered. No action would be required this night.

Committee Member S. Davis left the meeting.

Mr. Carson stated that equipment purchased at an auction would have an unknown resale value compared to the original purchase price. The same model of equipment could have specification variations. The age and condition of the equipment and the market conditions at the time of the sale would also vary. Some comments suggested that resale value is a better measure of residual value. Resale value is a more subjective value. It would be necessary for someone to determine the resale value. The guaranteed buy back protects the County.

Acting Chairman Schurlknight stated that with the guaranteed buy back, the County would still have the option to sell the equipment.

Committee Member Callanan stated that Blanchard generated the buy back figure from the residual value of a lease. A quote for the lease price of the equipment could be added to the bid package. The lease would state the residual value for the equipment and would be more accurate. Some of the buy back figures listed are not believed to be the residual value from a five year lease.

Mr. Carson stated that if a lease is quote to establish a number, it could be somewhat misleading to the bidder.

Committee Member Callanan stated that if the market had an abnormality, a lease could be in the best interest of the County.

Mr. Carson stated there would be some disadvantages to a lease.

Committee Member Callanan stated that confidence is needed in the guaranteed buy back numbers. A tremendous amount of weight is placed on the buy back figures. The formula is price plus tax plus warranty plus service contract minus trade in minus buy back. If the buy back figure had not been used, then Blanchard would have been last.

Acting Chairman Schurlknight stated that the market will dictate the worth of the equipment in five years. The guaranteed buy back is a minimum figure for the equipment. The County would have the option to go on the open market.

Mr. Carson stated it is the bidder's job to submit accurate figures. The bidders were surveyed and stated that guaranteed buy back price is in the best interest of the County, not the bidder.

Acting Chairman Schurlknight stated that the low bid is not always the best bid. The long term serviceability of the equipment should also be considered.

Mr. Carson stated that the length of the bid package would be affected if the bidder is required to provide quotes on equipment two ways. Lease figures and total cost figures would expand the length of the bid.

Committee Member Callanan stated that the bid is based on the assumption that the equipment would be sold back to the bidder. The guaranteed buy back is the best market price. The bid package is based on a guaranteed buy back price that might not be exercised. Blanchard has stated that it is very rare that a guaranteed buy back price is exercised. The problem is that the elements are not weighted.

Mr. Carson stated that a lease would be the same process.

Committee Member Callanan stated that some bidders' companies do not provide a guaranteed buy back program. Bidders should not be disqualified because they cannot offer a guaranteed buy back that will not be utilized. A lease option would not under value the residual value because it would be detrimental to the company.

Mr. Carson stated that the residual lease value would be in the formula the same way. Residual value is the cost for the use of that equipment for a period of time.

Committee Member Callanan stated the concept is that equipment is bought and sold at a point to recoup some value.

Mr. Carson stated that a program to replace equipment every five years would build equity. Orangeburg County added to their fleet without an increase in payments. The result is newer equipment and it requires a commitment to replace equipment on a lease program. Berkeley County has the advantage of not paying the lease cost. The equipment could be replaced one third at a time with no finance costs.

Committee Member Callanan stated that if the guaranteed buy back is found to be hardly used, then the numbers are useless and are only a worst case scenario. The guaranteed buy back numbers are a deciding factor to promote certain companies. The guaranteed buy back is weighted too heavy and will result in higher prices for the County.

Committee Member Fish stated that the County typically utilizes equipment for longer than five years. This contract obligates the County to spend \$150,000 every five years. Blanchard has the statewide franchise and has a higher weighted advantage with more mechanics

available. It is an unfair comparison that brings the company from third place to first place. The numbers are flawed based on that weight comparison.

Mr. Carson stated that equipment should not be kept for ten years. The older equipment has higher maintenance and repair costs. The equipment is not being used in a production environment. The County only has one excavator and it has to be transported from job to job.

Committee Member Fish stated that one vendor stated it is normally not the policy to provide a guaranteed buy back price on equipment. Most people do not reclaim the buy back price and there would be very little risk to vendors to supply a price.

Mr. Carson stated if a businessman knew that would get him the business, then he would provide a guaranteed buy back price.

Committee Member Fish stated that the if the vendor understands that the guaranteed buy back is weighted heavily, then they could increase the bid with a resale value.

Mr. Carson stated that vendor should do that.

Committee Member Callanan stated that if the vendors do not offer the buy back as part of a corporate issue, then a monopoly is given that does have the buy back.

Mr. Carson stated that a corporate bond was not requested. The bidder is not the corporation, but the local dealer.

Committee Member Callanan stated that Caterpillar financing is creating that guaranteed buy-back program. If an entity does not create a buy-back program and Caterpillar does, then it is trade specific to a particular vendor. We are absent a way to determine some sort of residual value factor for each manufacturer and in that absence we have tried to come up with a way to do something that is flawed. The guaranteed buy back should be removed from the equation.

Acting Chairman Schurlknight stated that Mr. Carson and Mr. Hamer have brokered the best deal for the County. The Committee is suggesting that the standards be lowered to allow for more bidders.

Committee Member Callanan stated the suggestion is absolutely not what was said.

Acting Chairman Schurlknight stated that the bid was weighted with a guaranteed buy back and Blanchard was the top bidder. At the end of five years, the County can sell or keep the equipment. If the other vendors do not want to provide some insurance, that is not Berkeley County's problem. The plans need to move forward.

Supervisor D. Davis stated that a bidding package that is not 100% accurate. There is not a way to know the residual value. The bid package is constructed so that the free market dictates

the sale on the open market or the guaranteed lowest bid. The staff is looking for some guidance on the bid. The excavator is already out of service and work is not being done.

Committee Member Callanan stated to either remove the guaranteed buy back or weight it not at 100%. It is being weighted on something that there is a 90% probability it will not be exercised.

Mr. Carson stated it is not a matter of weighting the number. Weighting the number does not provide an accurate number in the end. Only another accurate number is going to do that. If that measure is a guaranteed buy back or the residual on a lease, it provides a true cost of that equipment for that period of time.

Committee Member Callanan stated the guaranteed buy back is an imperfect method to determine residual value. Committee Member Callanan made the motion to give guaranteed buy back a 50% weighting. That would allow Blanchard to get the credit for the guaranteed buy back but allow the vendors to be competitive.

Mr. Carson stated the bid would have the information but the formula would utilize 50% of the weighted number.

Committee Member Fish seconded the motion.

Committee Member Call stated that 5,000 hours in five years averages to four hours per day.

Mr. Carson responded that the figure was based on the operation of previous equipment. The equipment does not register hours when it is being transported from one site to another.

Committee Farley stated that 5,000 hours is justifiable. The equipment has to be transported and may not be utilized every day.

Acting Chairman Schurlknight expressed concern regarding maximizing the resale of the equipment with the buy-back program. The County would have to lower their standards to have more bidders. The bid package required a buy back price and a bond. It is not the County's concern if the other bidders could not comply with the requirements. The buy-back guarantees that the County can move equipment at the end of five years for a decent price. The maintenance costs after five years are high after the warranty period. A guaranteed buy back is the minimum dollar value on the equipment. At that point, it can be sold back to Blanchard or on the open market. The County should not be concerned if other vendors can bid on the equipment.

Mr. Hamer stated the item was placed on the agenda to receive Council's input as to future bid packages. The 16 perspective bidders were contacted. Industrial Tractor sent samples of a previous bid package, but did not respond to this bid. There were three responsive bidders to the bid package. One bid was a "No Bid". One bid was late and was returned.

Committee Member Callanan inquired as to the procedure that lists the specifications.

Mr. Carson replied that the specifications published are just a minimum.

Mr. Hamer also stated there is a deadline for questions regarding specifications. Nine counties, NIGP and the South Carolina DOT were contacted. Most of the specifications used were from DOT and Dorchester County. The questionnaire, the Total Life Cycle Cost and the Best Value Bid were from DOT's bid package. Total Life Cycle information from Texas was also used from NIGP. The bid package was constructed from other counties in South Carolina and the nation. The weight of the model needed was compared to John Deere, Caterpillar and Komatsu. Adjustments were made to the specifications to encompass the three models. The bid was a combination of Best Value and Life Cycle Cost. The Life Cycle Cost factor weighed 60% of the Best Value evaluation. Guidance is needed from Council as to the bid requirements for future bid packages.

Committee Member Fish stated that weighting would put Blanchard at bottom of the bidder list, not at the top. Blanchard is the largest equipment dealer in the state with nine locations. They would unfairly get weighted higher.

Mr. Carson stated the other portion of the Best Value Bid is the references and other factors.

Committee Member Callanan stated as an example, that if other vendors don't sell bulldozers because of the heavy maintenance costs, they would have to add technicians. They are being punished for not having more technicians on the available technicians factor. Response time should be the only criteria.

Acting Chairman Schurlknight stated that down time on a piece of equipment should be weighted.

Mr. Hamer responded that available technicians were weighted slightly higher, but response time was also a factor.

Committee Member Callanan stated that a majority of preference is given for the price.

Ms. Ewing stated there appeared to be numerous ideas that need further discussion and perhaps a sub-committee could be formed to establish the standards for purchasing heavy equipment.

Committee Member Callanan withdrew the motion.

Committee Member Fish withdrew the second.

Mr. Hamer inquired as to the schedule for the sub-committee meeting. The County has three additional pieces of equipment to request bids on.

Ms. Ewing suggested that Mr. Carson, Mr. Hamer, someone from Berkeley County Water and Sanitation and a few members of Council form the sub-committee.

Acting Chairman Schurilknight asked for volunteers from the Council members.

Committee Members Callanan, Fish and Call volunteered to serve on the sub-committee.

Committee Member Callanan stated that the sub-committee would have recommendations and could request a special meeting at the end of the month.

**B. Ms. Donna Osborne, Director, Berkeley County Library System, Re: Sole Source Purchase of ALLCIRC storage/retrieval and self-check machines for Library.**

Ms. Osborne greeted County Council and stated in November, County Council approved the stimulus funds from the State for the Library budget. The funds will be utilized to purchase the ALLCIRC machine, which is a sole source storage/retrieval and check-out system for the libraries. One machine would be placed at the Goose Creek Library and one machine at the Moncks Corner Library. No additional funds required. The libraries are attempting to utilize technology to accommodate the increasing business. The usage figures for the first six months equal to the entire years' usage two years ago. Berkeley County Libraries will be the first in the State to utilize these machines.

Committee Member Fish inquired as to other companies that provide this product.

Ms. Osborne responded there are not other companies that provide this product. There are companies that provide storage and retrieval machines such as the Red Box machine for DVD's. This machine is similar but also permits customers to check out other materials as well such as books, audio and music.

It was moved by Committee Member Farley and seconded by Committee Member Callanan to **approve the Sole Source Purchase of ALLCIRC storage/retrieval and self-check machines** for Library. The motion passed by unanimous voice vote of the Committee.

**C. Mr. Micah Miley, Director of Engineering, Re:**

**1. AD Hare Water System Improvement Engineering Contract.**

Ms. Miley greeted Council and recommended awarding the contract to Engineering Resources Corporation in the amount of \$256,058.

Committee Member Callanan inquired as to the amount that was budgeted.

Mr. Miley responded there is a line item of \$2,070,000 in the budget for the total construction and design. There is a 12 – 15% engineering cost and this amount is within the budget.

It was moved by Committee Member Callanan and seconded by Committee Member Call to **approve the AD Hare Water System Improvement Engineering Contract.** The motion passed by unanimous voice vote of the Committee.

2. US Hwy 17-A Water Main relocation, Phase 2.

Mr. Miley stated this contract was held last month due to delays in permitting from DOT. DOT is not allowing this project to start until mid April. The contractor's bid would have expired before work could begin. The contractor has agreed in writing to warranty his costs even with the start delay.

It was moved by Committee Member Callanan and seconded by Committee Member C. Davis to **approve the US Hwy 17-A Water Main relocation, Phase 2.** The motion passed by unanimous voice vote of the Committee.

3. 2010 Pump Station Modifications, Engineering Contract.

Mr. Miley recommended awarding the contract for the 2010 Pump Station Modifications, Engineering Contract to Engineering Resources Corporation in the amount of \$252,320.

It was moved by Committee Member Callanan and seconded by Committee Member Fish to **approve the 2010 Pump Station Modifications, Engineering Contract.** The motion passed by unanimous voice vote of the Committee.

4. St. Stephen Gravity Sewer Rehabilitation CDBG, Engineering Contract.

Mr. Miley recommended awarding the contract to Jordan, Jones & Goulding in the amount of \$49,145.

It was moved by Committee Member Callanan and seconded by Committee Member Call to **approve the St. Stephen Gravity Sewer Rehabilitation CDBG, Engineering Contract.** The motion passed by unanimous voice vote of the Committee.

5. 2009 Water System Improvements, Engineering Contract.

Mr. Miley recommended awarding the contract to Engineering Resources Corporation in the amount of \$150,788. This would add a second line into Berkeley County Club. When maintenance is required on any of the lines, it would allow a minimum disruption of service.

Committee Member Fish inquired as to which bond fund is being utilized for this project.



Mr. Miley stated the projects were discussed with Council regarding the interest earned on the 2005 Bonds.

Committee Member Callanan stated the figure shown for this account in the audit was as of June 30. Does that figure take into account these projects?

Mr. Miley stated the information that was given in the exit interview was basically was prepared at the same time that the numbers went into the budget. Council was told the interest that was earned is \$13.5 million. These funds have not been allocated to any other projects. These projects were presented to Council at that time.

Committee Member Callanan stated that the funds were more than \$14 million and were not just interest earned, but the fact that some of the approved projects came in under budget. The actual amount after these projects is close to \$3 million.

It was moved by Committee Member C. Davis and seconded by Committee Member Callanan to **approve** the **2009 Water System Improvements, Engineering Contract**. The motion passed by unanimous voice vote of the Committee.

It was moved by Committee Member Farley and seconded by Committee Member C. Davis to **adjourn** the Committee on Public Works and Purchasing meeting. The motion passed by unanimous voice vote of the Committee.

The meeting ended at 8:29 pm.

February 8, 2010  
Date Approved

**PUBLIC WORKS AND PURCHASING**  
(Standing Committee of Berkeley County Council)

Chairman: Mr. Robert O. Call, Jr., District No. 3

Members: Mr. Phillip Farley, District No. 1  
Mr. Timothy J. Callanan, District No. 2  
Mrs. Cathy S. Davis, District No. 4  
Mr. Dennis Fish, District No. 5  
Mr. Jack H. Schurlknight, District No. 6  
Mr. Caldwell Pinckney, Jr., District No. 7  
Mr. Steve C. Davis, District No. 8  
Mr. Daniel W. Davis, Supervisor, ex officio

A meeting of the **COMMITTEE ON PUBLIC WORKS AND PURCHASING**, Standing Committee of Berkeley County Council will be held following the meetings of the Committees on Water and Sanitation, Land Use and Justice and Public Safety on **Monday January 11, 2010**, at **6:00 p.m.**, in the Assembly Room, Berkeley County Administration Building, 1003 Highway 52, Moncks Corner, South Carolina.

**AGENDA**

**APPROVAL OF MINUTES**

**December 14, 2009**

**A. Mr. John F. Hamer, CPPB, Director of Procurement**, Re: Seek Council's input on what to or what not to include in the Excavator Bid Package.

**B. Ms. Donna Osborne, Director, Berkeley County Library System**, Re: Sole Source Purchase of ALLCIRC storage/retrieval and self-check machines for Library.

**C. Mr. Micah Miley, Director of Engineering**, Re:

- 1.** AD Hare Water System Improvement Engineering Contract.
- 2.** US Hwy 17-A Water Main relocation, Phase 2.
- 3.** 2010 Pump Station Modifications, Engineering Contract.
- 4.** St. Stephen Gravity Sewer Rehabilitation CDBG, Engineering Contract.
- 5.** 2009 Water System Improvements, Engineering Contract.

January 6, 2010

S/Barbara B. Austin, CCC

Clerk of County Council